

STATE OF CALIFORNIA

Public Utilities Commission
Fresno**M e m o r a n d u m**

Date: May 8, 2012

To: The Commission
(Meeting of May 10, 2012)

From: Lynn Sadler, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 2165 (Hill) – Net energy metering: eligible fuel cell customer-generators.**
As amended: April 23, 2012

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT IF AMENDED

SUMMARY OF BILL

AB 2165 would increase the generation-only Net Energy Metering (NEM) program cap for eligible fuel cell projects, as authorized under Public Utilities (PU) Code 2827.10, from 112.5 megawatts (MW) statewide to 1 percent of the aggregate customer peak demand of an electrical corporation's service territory. The bill also clarifies the definition of eligible fuel cell customer-generators to include all customers of investor-owned utilities (IOUs), not just bundled service customers.

Recent amendments (a) authorize the California Public Utilities Commission (CPUC) to review and incrementally raise the 1 percent fuel cell NEM cap and (b) require the CPUC to authorize an electrical corporation to charge a customer fee based on the cost to the utility associated with providing NEM interconnection inspection services for that participating customer.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION

AB 2165 is in alignment with the goals of the CPUC's Self-Generation Incentive Program (SGIP) to foster the adoption of fuel cells that reduce greenhouse gas emissions pursuant to Senate Bill (SB) 412 (Kehoe, 2009). Unlike the full-retail net metering program, the NEM fuel cell program makes a customer-generator responsible for all electricity service charges except generation, and as such this bill will likely result in little or no cost-shifts to non-NEM ratepayers.

However, the bill should be amended to continue to tie the program cap to installed megawatts instead of a percentage of aggregate customer peak demand. On April 2012, the CPUC issued a Proposed Decision (PD) that clarifies that “aggregate customer peak demand” means the aggregation, or sum, of individual customers’ peak demands (i.e., their non-coincident peak demand). This interpretation is different from how the utilities have historically interpreted the cap calculation, and would allow substantially higher (by 2600-5200%) participation levels under the NEM fuel cell program. Given the current and projected growth rates for fuel cell systems under the NEM program, an increase in the NEM cap of this magnitude is unsubstantiated at this time.

On a separate note, the bill’s requirement to charge a customer fee based on the cost of interconnection inspection services may be in conflict with SB 1537 (Kehoe), which would prohibit the CPUC from adopting an interconnection charge to customers receiving electric service pursuant to a net metering contract or tariff. SB 1537 (Kehoe) should be amended to clarify that the bill applies only to the full-retail NEM program, or this bill should be amended to remove the implementation of interconnection inspection service costs for eligible fuel cell customers.

SUMMARY OF SUGGESTED AMENDMENTS

While specific studies have been conducted on the cost and benefits of full retail NEM, no studies have been conducted on the total impact of the fuel cell generation-only NEM authorized under Public Utilities Code Section 2827.10. Unlike full retail NEM customers, generation-only customers pay for transmission, distribution, administrative costs, and pay into the public purpose programs. There has been no formal study to see how this bill credit impacts ratepayers. Fuel cell penetration levels and projected growth rates indicate that PG&E will be the first IOU to hit the cap, and likely will not do so for another 2-3 years. As such, there is no indication that the NEM cap needs to be raised at this time.

Additionally, the definition of “aggregate customer peak demand” is currently under consideration at the CPUC.¹ The definition of “aggregate customer peak demand” may be modified by the CPUC within the next year, and as such, it is unknown at this time the extent to which the NEM cap for fuel cells will be raised if it were defined by 1 percent of aggregate customer peak demand. Given the ongoing proceeding defining “aggregate customer peak demand,” the bill also should be amended to continue to tie the program cap to installed megawatts instead of a percentage of peak demand.

DIVISION ANALYSIS (Energy Division)

- 1. This bill supports the further adoption of fuel cells within the SGIP, but there is no indication that the NEM cap for fuel cells needs to be raised at this time**

¹ An assigned Administrative Law Judge ruling was issued in December 2011 requesting comment on how to calculate the NEM cap for renewable technologies and how to define “aggregate customer peak demand.”

There are currently two different types of NEM tariffs in place: One tariff offers bill credits at the full retail rate for RPS-eligible technologies, including fuel cells that use renewable fuels (“full-retail NEM”). The program cap for this tariff is currently 5% of an electrical corporation’s aggregate customer peak demand. A separate tariff, the subject of this bill, offers a significantly lower bill credit that pays for the generation only component of the rate, available to fuel cells that use renewable or non-renewable fuel and which meet specified reductions in GHG emissions (“generation-only NEM”). The program cap for the generation-only NEM tariff is 45 megawatts for an electrical corporation that has a peak demand above 10,000 megawatts (PG&E and SCE), or 22.5 megawatts for an electrical corporation that has a peak demand of 10,000 megawatts or below (SDG&E).

The CPUC’s SGIP also gives incentives to participating DG customers in order to encourage the deployment of clean DG technologies that have been determined to achieve reductions in GHG emissions. Fuel cells that operate on renewable fuels and fuel cells that operate on non-renewable fuels are eligible to participate in SGIP. Like SGIP, the NEM tariff encourages the deployment of clean DG technologies by providing bill credits for the electricity generated from the fuel cell system. Provided a system meets all requirements, both renewable and non-renewable fuel cell system could potentially participate in the SGIP and generation-only NEM program. In 2011, renewable fuel cells became eligible to participate in the full-retail NEM program.² Because renewable fuel cell projects will likely take advantage of the higher bill credit rate under the full-retail NEM program, staff assumes that the vast majority of future fuel cell projects using the generation-only NEM tariff will be non-renewable fuel cells.

In 2011, a CPUC report on the cost-effectiveness of DG technologies within the SGIP found that, of all technologies, fuel cells have the highest projected cost reductions between now and 2020.³ Like SGIP, the NEM program encourages the deployment of fuel cells, and thus this bill will likely contribute to the long-term cost reductions in fuel cell systems. Further, SGIP is designed with a declining incentive structure, with a 10 percent annual reduction in incentives for fuel cells beginning January 2013. NEM benefits will be an important economic consideration for new fuel cell projects as SGIP incentives taper off in later years.

This bill also supports the deployment of fuel cells by revising the definition of eligible fuel cell customer-generators to clarify that the program is not limited to bundled service customers. This will allow community choice aggregation (CCA) and electric service provider (ESP) customers to also participate in the program. These customers already help fund the program since it is funded through distribution charges.

² Senate Bill (SB) 498 (Wolk, 2011) expanded the technologies eligible to participate in the full-retail NEM program to RPS-eligible technologies, including fuel cells that use renewable fuels.

³ The 2011 SGIP Cost-Benefit study is available here: http://www.cpuc.ca.gov/NR/rdonlyres/2EB97E1C-348C-4CC4-A3A5-D417B4DDD58F/0/SGIP_CE_Report_Final.pdf.

While this bill supports the adoption of eligible fuel cells under SGIP, there is no indication that the NEM cap needs to be raised at this time.

Table 1 shows the penetration levels of all fuel cell generators and the projected annual growth rates among the three largest IOUs. Based on current fuel cell penetration levels and projected growth rates, PG&E is the closest to reaching the NEM cap. However, given that the annual installed capacity of renewable and non-renewable fuel cells in PG&E's territory has not exceeded 6 megawatts (MW), it will likely be at least two years at current growth rates before they hit their cap.

Table 1. NEM Fuel Cell Penetration levels (MW)⁴

Utility	PG&E	SCE	SDG&E	Total
Current NEM Cap	45.0	45.0	22.5	112.5
Pending under SGIP	9.0	1.9	1.9	12.8
Interconnected	16.0	6.9	6.0	28.9
Remaining	20.0	36.2	14.6	70.8
Projected Annual Growth Rate	6.0	4.0	2.5	12.5

2. Raising the NEM cap for non-renewable fuel cells may significantly increase costs to ratepayers

In its cost-effectiveness study of the full-retail NEM program in March 2010, the CPUC found that the net cost to ratepayers in 2008 (for all NEM systems interconnected as of 2008) was \$20 million/year.⁵ The installation of fuel cells under the generation-only NEM tariff may represent a lower marginal cost to ratepayers than the full-retail NEM program - since bill credits at the generation-only rate do not include the cost for use of the transmission and distribution (T&D) system, the costs for public purpose programs, and other bundled costs, whereas bill credits under full-retail NEM include all bundled costs. However, even at the generation-only rate, interconnection costs and the administrative expenses of implementing NEM are subsidized by ratepayers under both NEM tariffs. As discussed further below, this bill would likely substantially raise the NEM cap for non-renewable fuel cells, which could significantly raise the total costs incurred by non-NEM ratepayers.

This bill defines the cap for fuel cells based upon 1 percent of 'aggregate customer peak demand'. Similarly, the full retail NEM tariff has a cap at 5 percent of aggregate customer peak demand. Under the full retail NEM program, each utility has historically interpreted aggregate customer peak demand to mean coincident

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Table 1 was developed using current SGIP data and utility interconnection data.

⁵ Net Energy Metering Cost-Effectiveness Evaluation ("NEM Cost-Effectiveness Evaluation") (March 2010). http://www.cpuc.ca.gov/PUC/energy/DistGen/nem_eval.htm. A summary of the key findings is attached as Appendix A.

system peak demand. Table 2 shows the increase to the NEM cap if it were raised to 1 percent of coincident system peak demand.

Table 2. Current Non-Renewable Fuel-Cell NEM Cap vs. Proposed Non-Renewable Fuel-Cell NEM Cap

Utility	PG&E	SCE	SDG&E	Total
Current NEM Cap (MW)	45.0	45.0	22.5	112.5
Proposed NEM Cap (MW)	209.0	231.0	47.0	487.0
% Increase	464%	514%	208%	

Using the methodology by which the utilities currently calculate the full retail NEM cap, this bill would effectively increase the NEM cap for fuel cells 2 to 5 times. It should be noted, however, that the methodology for calculating 'aggregate customer peak demand' under the retail-rate NEM program is currently being considered in Rulemaking (R.) 10-05-004. Should the CPUC interpret the statute differently than how it has been historically interpreted by the utilities, the proposed NEM cap for non-renewable fuel cells could be substantially higher.

Because the 2010 NEM cost-effectiveness study issued by the CPUC did not include an analysis on the generation-only rate applicable to non-renewable fuel cells, and because the study did not have high quality data available on the cost of interconnection, it is difficult to estimate the ratepayer impacts of this bill. However, in March 2012, Energy Division issued a request for proposals (RFP) for an update to the 2010 NEM Cost-Benefit Study. The findings of this study will better inform the appropriate cap for fuel cells participating under PU Code 2927.10 by: a.) Incorporating a significant amount of new data; b.) Studying the impacts of new technologies eligible under NEM pursuant to SB 489 (Wolk, 2011); and c.) Including the ratepayer impacts from NEM fuel cells that receive generation-only credit. Given that the ratepayer impacts of raising the generation-only NEM cap to 1% of aggregate customer peak demand is unknown at this time, it would be prudent for the CPUC to further analyze the costs and benefits to ratepayers before significantly raising the cap.

If the CPUC finds that the benefits of raising the NEM cap outweigh the costs, the CPUC should be allowed the discretion to raise the NEM cap as appropriate.

3. The bill does not require a new CPUC rulemaking, or new tariffs

It does not appear that a rulemaking or new tariffs are required to enact this bill, nor does the bill language explicitly direct the CPUC on procedure for implementation. As written the bill could be implemented with limited conforming modifications to the IOU's NEM tariffs.

PROGRAM BACKGROUND

NEM is an electricity tariff billing mechanism whose intent is to facilitate the installation of DG by offering retail-rate and generation-rate billing credits for any electricity exported to the grid at times when there is no simultaneous energy demand to utilize the generation onsite.

Under existing complementary state laws, the CPUC oversees a range of policies that support self-generation:

1. **Rebates:** Rebates through the California Solar Initiative (CSI) and SGIP. The CSI program provides rebates for solar PV systems up to 1 MW (and allows systems up to 5 MW), with the exception of certain state-owned facilities (per AB 2724, 2010). SGIP provides incentives to wind turbines, fuel cells, gas turbines, micro-turbines and internal combustion engines, waste heat capture, small conduit hydro, combined heat and power, advanced energy storage, and pressure reduction turbines. Similar to NEM, the SGIP and CSI programs are designed to reduce a customer's onsite load.
2. **Simplified Interconnection:** Reduced interconnection costs are available under utility Rule 21 tariffs that exempt self-generation renewable energy systems under 1 MW from most studies and fees. Rule 21 also offers these systems accelerated interconnection timelines. Separately, the CPUC exempted renewable self-generation systems from standby charges in 2003.
3. **Net Energy Metering:** Per PU Code 2827, NEM customer-generators who take service from IOUs have their monthly net generation valued at the full retail rate at the time the energy is exported, and may elect to receive compensation of any net surplus generation above annual load.⁶ PU Code 2827.10 sets out a separate program for eligible fuel cell customer-generators that have their monthly net generation valued at the generation rate only. An installed NEM project provides a subsidy to the customer-generator that, under current law, lasts for the lifetime of the installation. This subsidy will be of increasing importance to new customer-generators as CSI and SGIP incentives decline.

LEGISLATIVE HISTORY

1. At least four other bills modifying the NEM program are pending as of this writing in this legislative session:
 - AB 2514 (Bradford): Requires the CPUC to complete a study by June 30, 2013, to determine the extent to which each class of ratepayers receiving service under NEM is paying the full cost of services provided to them by electrical corporations, and the extent to which those customers pay their share of the costs of public purpose programs;
 - SB 594 (Wolk): Allow for NEM meter aggregation of multiple meters for a single

⁶ PU Code 2827(h)(2)(B).

- customer on a contiguous property;
- SB 843 (Wolk): Facilitates a Community-Based Renewable Energy Self-Generation Program with unlimited virtual full retail rate bill credit sharing and RECs owed by interconnecting utility;
- SB 1537 (Kehoe): Prohibits the CPUC from adopting any new demand charges for NEM customers.

The above listed bills introduce changes to the general retail-rate NEM program, as well as systems that run on renewable fuels under PU Code Section 216, and would not have a direct impact on the separate NEM program for fuel cells, as referenced in this bill analysis.

2. The NEM statute has been modified numerous times in the past decade. It was first established in response to AB 656 (1996), and subsequently modified by: AB 1755 (1998), AB 918 (2000), AB X1-29 (2001), SB 1038 (2002), AB 2228 (2003), AB 1214 (2004), AB 920 (2009), AB 510 (2010), and SB 489 (2011).

FISCAL IMPACT

AB 2165 would require one-time costs for .5 PURA V and .5 ALJ II, for a total cost of approximately \$135,757.

STATUS:

AB 2165 is pending consideration on the Assembly Floor.

SUPPORT/OPPOSITION

Support

Bloom Energy
California Hydrogen Business Council
Clean Power Campaign
Fuel Cell Hydrogen and Energy Association
FuelCell Energy, Inc.
National Fuel Cell Research Center
TechNet
United Technologies Corporation

Opposition

Southern California Edison

STAFF CONTACTS

Lynn Sadler, Director-OGA (916) 327-3277
Nick Zanjani, Legislative Liaison-OGA (916) 327-3277

ls1@cpuc.ca.gov
nkz@cpuc.ca.gov

BILL LANGUAGE

BILL NUMBER: AB 2165 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 23, 2012

INTRODUCED BY Assembly Member Hill
(Coauthor: Assembly Member Roger Hernández)

FEBRUARY 23, 2012

An act to amend Section 2827.10 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 2165, as amended, Hill. Net energy metering: eligible fuel cell customer-generators.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law, relative to private energy producers, requires every electrical corporation to make available to an eligible fuel cell customer-generator, as defined, a standard contract or tariff for net energy metering on a first-come-first-served basis until the total cumulative rated generating capacity used by the eligible fuel cell customer-generators equals 45 megawatts within the service territory of the electrical corporation, for an electrical corporation with a peak demand above 10,000 megawatts, or equals 22.5 megawatts within the service territory of the electrical corporation, for an electrical corporation with a peak demand of 10,000 megawatts or below. Existing law additionally limits the combined statewide cumulative rated generating capacity used by the eligible fuel cell customer-generators in the service territories of all electrical corporations in the state to not more than 112.5 megawatts.

This bill would revise the definition of an eligible fuel-cell customer-generator to require that the customer be physically located within the service territory of the electrical corporation and receive bundled service, distribution service, or transmission service from the electrical corporation. In place of the existing maximum megawatt limitations upon an electrical corporation's obligation to offer the tariff, the bill would require the electrical corporation to make the tariff available until the total cumulative rated generating capacity of the eligible fuel cell electrical generating facilities receiving service pursuant to the tariff reaches 1 percent of the aggregate customer peak demand for the electrical corporation's service territory. *The bill would authorize the commission, in order to continue the growth of the market for onsite electric generation using fuel cells, to review and incrementally raise this 1- percent cap on the total cumulative rated generating capacity of the eligible fuel cell electrical generating facilities receiving service pursuant to the tariff. The bill would require the commission to authorize an*

electrical corporation to charge a customer a fee based on the cost to the utility associated with providing interconnection inspection services for that customer.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the bill expands the duties of an electrical corporation in offering net energy metering and an order of the commission would be required to implement these requirements, the bill would impose a state-mandated local program by expanding the definition of a crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 2827.10 of the Public Utilities Code is amended to read:

2827.10. (a) As used in this section, the following terms have the following meanings:

(1) "Electrical corporation" means an electrical corporation, as defined in Section 218.

(2) "Eligible fuel cell electrical generating facility" means a facility that includes the following:

(A) Integrated powerplant systems containing a stack, tubular array, or other functionally similar configuration used to electrochemically convert fuel to electric energy.

(B) An inverter and fuel processing system where necessary.

(C) Other plant equipment, including heat recovery equipment, necessary to support the plant's operation or its energy conversion.

(3) (A) "Eligible fuel cell customer-generator" means a customer of an electrical corporation that meets all the following criteria:

(i) Uses a fuel cell electrical generating facility with a capacity of not more than one megawatt that is located on or adjacent to the customer's owned, leased, or rented premises, is interconnected and operates in parallel with the electric grid while the grid is operational or in a grid independent mode when the grid is nonoperational, and is sized to offset part or all of the eligible fuel cell customer-generator's own electrical requirements.

(ii) Is the recipient of local, state, or federal funds, or who self-finances projects designed to encourage the development of eligible fuel cell electrical generating facilities.

(iii) Uses technology the commission has determined will achieve reductions in emissions of greenhouse gases pursuant to subdivision (b), and meets the emission requirements for eligibility for funding set forth in subdivision (c), of Section 379.6.

(B) For purposes of this paragraph, a person or entity is a customer of the electrical corporation if the customer is physically located within the service territory of the electrical corporation and receives bundled service, distribution service, or transmission service from the electrical corporation.

(4) "Net energy metering" means measuring the difference between the electricity supplied through the electrical grid and the difference between the electricity generated by an eligible fuel cell electrical generating facility and fed back to the electric grid over a 12-month period as described in subdivision (e). Net energy metering shall be accomplished using a time-of-use meter capable of registering the flow of electricity in two directions. If the existing electrical meter of an eligible fuel cell customer-generator is not capable of measuring the flow of electricity in two directions, the eligible fuel cell customer-generator shall be responsible for all expenses involved in purchasing and installing a meter that is able to measure electricity flow in two directions. If an additional meter or meters are installed, the net energy metering calculation shall yield a result identical to that of a time-of-use meter.

(b) (1) Every electrical corporation shall, not later than March 1, 2004, file with the commission a standard tariff providing for net energy metering for eligible fuel cell customer-generators, consistent with this section. Every electrical corporation shall make this tariff available to eligible fuel cell customer-generators upon request, on a first-come-first-served basis, until the total cumulative rated generating capacity of the eligible fuel cell electrical generating facilities receiving service pursuant to the tariff reaches 1 percent of the aggregate customer peak demand for the electrical corporation's service territory. An electrical corporation is not obligated to provide net energy metering to an eligible fuel cell customer-generator when the total cumulative rated generating capacity of the eligible fuel cell electrical generating facilities receiving service pursuant to the tariff is equal to or exceeds 1 percent of the aggregate customer peak demand for the electrical corporation's service territory.

(2) *To continue the growth of the market for onsite electric generation using fuel cells, the commission may review and incrementally raise the 1-percent cap on the total cumulative rated generating capacity of the eligible fuel cell electrical generating facilities receiving service pursuant to the tariff in paragraph (1).*

(c) In determining the eligibility for the cumulative rated generating capacity within an electrical service area, preference shall be given to facilities which, at the time of installation, are located in a community with significant exposure to air contaminants or localized air contaminants, or both, including, but not limited to, communities of minority populations or low-income populations, or both, based on the ambient air quality standards established pursuant to Section 39607 of the Health and Safety Code.

(d) (1) Each net energy metering contract or tariff shall be identical, with respect to rate structure, all retail rate components, and any monthly charges, to the contract or tariff to which the customer would be assigned if the customer was not an eligible fuel cell customer-generator. Any new or additional demand charge, standby charge, customer charge, minimum monthly charge, interconnection charge, or other charge that would increase an eligible fuel cell customer-generator's costs beyond those of other customers in the rate class to which the eligible fuel cell customer-generator would otherwise be assigned are contrary to the intent of the Legislature in enacting the act adding this section, and may not form a part of net energy metering tariffs.

(2) *The commission shall authorize an electrical corporation to charge a customer a fee based on the cost to the utility associated with providing interconnection inspection services for that customer.*

(e) The net metering calculation shall be made by measuring the difference between the electricity supplied to the eligible customer-generator and the electricity generated by the eligible customer-generator and fed back to the electric grid over a 12-month period. The following rules shall apply to the annualized metering calculation:

(1) The eligible fuel cell customer-generator shall, at the end of each 12-month period following the date of final interconnection of the eligible fuel cell electrical generating facility with an electrical corporation, and at each anniversary date thereafter, be billed for electricity used during that period. The electrical corporation shall determine if the eligible fuel cell customer-generator was a net consumer or a net producer of electricity during that period. For purposes of determining if the eligible fuel cell customer-generator was a net consumer or a net producer of electricity during that period, the electrical corporation shall aggregate the electrical load of the eligible fuel cell customer-generator under the same ownership. Each aggregated account shall be billed and measured according to a time-of-use rate schedule.

(2) At the end of each 12-month period, where the electricity supplied during the period by the electrical corporation exceeds the electricity generated by the eligible fuel cell customer-generator during that same period, the eligible fuel cell customer-generator is a net electricity consumer and the electrical corporation shall be owed compensation for the eligible fuel cell customer-generator's net kilowatthour consumption over that same period. The compensation owed for the eligible fuel cell customer-generator's consumption shall be calculated as follows:

(A) The generation charges for any net monthly consumption of electricity shall be calculated according to the terms of the tariff to which the same customer would be assigned to or be eligible for if the customer was not an eligible fuel cell customer-generator. When the eligible fuel cell customer-generator is a net generator during any discrete time-of-use period, the net kilowatthours produced shall be valued at the same price per kilowatthour as the electrical corporation would charge for retail kilowatthour sales for generation, exclusive of any surcharges, during that same time-of-use period. If the eligible fuel cell customer-generator's time-of-use electrical meter is unable to measure the flow of electricity in two directions, paragraph (4) of subdivision (a) shall apply. All other charges, other than generation charges, shall be calculated in accordance with the eligible fuel cell customer-generator's applicable tariff and based on the total kilowatthours delivered by the electrical corporation to the eligible fuel cell customer-generator. To the extent that charges for transmission and distribution services are recovered through demand charges in any particular month, no standby reservation charges shall apply in that monthly billing cycle.

(B) The net balance of moneys owed shall be paid in accordance with the electrical corporation's normal billing cycle.

(3) At the end of each 12-month period, where the electricity generated by the eligible fuel cell customer-generator during the

12-month period exceeds the electricity supplied by the electrical corporation during that same period, the eligible fuel cell customer-generator is a net electricity producer and the electrical corporation shall retain any excess kilowatthours generated during the prior 12-month period. The eligible fuel cell customer-generator shall not be owed any compensation for those excess kilowatthours.

(4) If an eligible fuel cell customer-generator terminates service with the electrical corporation, the electrical corporation shall reconcile the eligible fuel cell customer-generator's consumption and production of electricity during any 12-month period.

(f) - ~~A fuel cell electrical generating facility shall not be eligible for participation in the tariff established pursuant to this section unless it commenced operation before January 1, 2014.~~ A fuel cell customer-generator shall be eligible for the tariff established pursuant to this section only for the operating life of the eligible fuel cell electrical generating facility.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.